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July 14, 1995

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

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William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

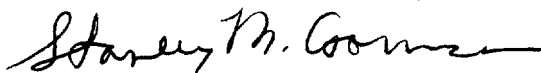
Re: In the Matter of End User Common Line Charges
CC Docket No. 95-72

Dear Mr. Caton:

Please find enclosed for filing the original and four (4) copies of the Reply Comments of Microsoft Corporation in response to Comments filed in the above matter.

If you have any questions or need any additional information, please feel free to contact me at 202-895-2169.

Sincerely yours,



Stanley M. Gorinson

Enclosures

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cc: Chairman Reed E. Hundt
Commissioner Andrew C. Barrett
Commissioner Rachelle B. Chong
Commissioner Susan Ness
Commissioner James Quello
Peggy Reitzel, Policy and Program Planning Division, Common Carrier
International Transcription Services

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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.**

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

**IN THE MATTER OF
END USER COMMON LINE
CHARGES**

CC Docket No. 95-72

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REPLY COMMENTS OF MICROSOFT CORPORATION

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Attorneys for Microsoft Corporation

July 14, 1995

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

IN THE MATTER OF
END USER COMMON LINE
CHARGES

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CC Docket No. 95-72

REPLY COMMENTS OF MICROSOFT CORPORATION

In our opening comments, Microsoft Corporation proposed that the Commission utilize a per facility charge for Integrated Systems Digital Network ("ISDN") subscriber line charges. To forestall any concerns about an increase in the Carrier Common Line Charge ("CCL"), the CCL should be frozen in place pending a general review of the entire access charge mechanism.

Many of the comments filed support the same approach and for much the same reason -- *i.e.*, that access charges for ISDN and other derived channel services must be kept low to encourage innovation. Moreover, if competition is increasing in the local exchange, then the marketplace, rather than regulation, will determine cost recovery by local exchange carriers.

These Reply Comments are accordingly limited to a few specific points raised by one commenter.

**IT WOULD STIFLE INNOVATION TO USE A
PER-FACILITY CHARGE ONLY ON BRI SERVICE**

AT&T has proposed that the per-facility charge be restricted only to Basic Rate Interface ("BRI") service. Primary Rate Interface ("PRI") service would be charged on a per-channel basis. In addition, AT&T proposes a 25¢ increase in the residential and single-line SLC. AT&T claims this will not forestall innovation because "Business ISDN users are typically large companies that desire ISDN service and are currently buying these services on a per-derived channel basis." (AT&T Comments at 9). AT&T's reason for advancing this proposal is to avoid any increase in the CCL.

AT&T, however, misses the point. Unless costs are minimized on derived channel service, there is little incentive to use ISDN and other services. Size of the user is not the decisive factor. Rather, the essential factor is use of the technology in an economic manner. AT&T's basic fear -- increase in the CCL -- can be accommodated by the temporary freeze Microsoft advocates pending a review of access charges which AT&T also supports. Moreover, in promoting increased ISDN usage, application of the per-facility approach to both BRI and PRI services could well increase total usage and thereby reduce the CCL.

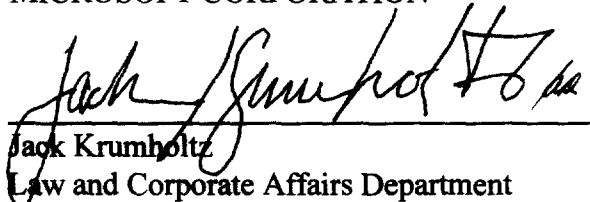
AT&T's proposal might have an adverse impact on at least some new competitors in the local exchange market. As the Comments of Time Warner Communications Holdings, Inc. ("TW Comm.") illustrate, additional SLC's calculated on a per-channel basis could result in a 16 percent increase in TW Comm.'s digital PBX trunk offering in Rochester, New York. (TW Comm. Comments at 3; *see also* Rochester Telephone Comments at 2).

CONCLUSION

Microsoft urges the Commission to adopt the facility-based SLC charge since that is essential to the growth of new services under the current access charge structure.

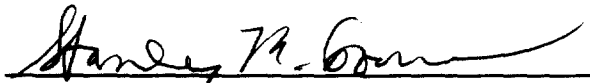
Respectfully submitted,

MICROSOFT CORPORATION



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- and -



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